

HOUSE FINANCE COMMITTEE March 4, 2021
1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Adam Wool

MEMBERS ABSENT

Representative DeLena Johnson
Representative Steve Thompson

ALSO PRESENT

None

PRESENT VIA TELECONFERENCE

Heidi Teshner, Director, Finance and Support Services, Department of Education and Early Development; Lacey Sanders, Administrative Services Director, Department of Education and Early Development, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 69 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 69 was HEARD and HELD in committee for further consideration.

HB 71 APPROP: MENTAL HEALTH BUDGET

HB 71 was HEARD and HELD in committee for further consideration.

PRESENTATION: K-12 FY 22 OPERATING AND FORMULA WALK-THROUGH BY DEED

PRESENTATION: FY 21 STUDENT ENROLLMENT COUNTS AND COVID-19 FEDERAL RELIEF FUNDING BY DEED

Co-Chair Foster reviewed the agenda for the day.

#hb69

#hb71

HOUSE BILL NO. 69

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 71

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

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^PRESENTATION: K-12 FY 22 OPERATING AND FORMULA WALK-THROUGH BY DEED

^PRESENTATION: FY 21 STUDENT ENROLLMENT COUNTS AND COVID-19 FEDERAL RELIEF FUNDING BY DEED

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HEIDI TESHNER, DIRECTOR, FINANCE AND SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), Introduced the PowerPoint Presentation: "FY2021 Student Enrollment Counts and COVID-19 K-12 Federal

Relief Funding." She reviewed the presentation agenda on slide 2. She would cover a review of the FY 21 statewide enrollment counts, explain the foundation payment process and the advanced process, briefly address the federal impact aid disparity tests, and address a few additional state-funded programs that were affected by the changes in enrollment counts. Lacy Sanders, the department's administrative services director, would provide a COVID-19 federal relief funding overview. She would conclude the presentation with a high-level overview of seven school district snapshots.

Ms. Teshner discussed the public school funding formula on slide 3 and slide 4. She reported that the legislature provided a formula in statute for funding school operational costs. It was referred to as the public school funding formula, more commonly known as the foundation formula. The formula was adopted under Senate Bill 36 in 1998, implemented in 1999, and defined in Alaska Statute, Title 14, Chapter 17. The funding for each school district was a combination of their state aid, required local contribution, and federal impact aid. She noted that the Regional Educational Attendance Areas (REAA) did not have a required local contribution, and there were 19 REAA school districts in Alaska. She indicated a school district was only eligible for foundation funding as calculated under the formula and set out in AS 14.17.410.

Ms. Teshner continued that the first step in determining state aid for a district to determine the average daily membership (ADM) for each school. She provided a couple of links on the slide. The first link was the school finance website which included the foundation funding formula and various publications providing historical ADM data, base student allocation (BSA) histories, and annual foundation reports. In addition, the committee had been provided with two supplemental handouts. Handout One, an 8-page document titled, "The Public School Funding Program Overview," walked through each step of the formula and could be found at the second link on the slide. Handout Two was a 1-page document outlining changes made to the formula over time titled, "Alaska Public School Funding Foundation Formula History."

Ms. Teshner talked about the importance of the annual count period on slide 5. The average daily membership was the defined term for student count data and was the number of

enrolled students during the 20 school-day count period which ended on the fourth Friday of October. For school year 2020-2021 the 20 school-day count period began on September 28th and ended on October 23rd. In order to determine state aid, districts were required to submit their ADM to the department within two weeks after the count period ended in accordance with statute. For the 2020-2021 school year count period, numbers were due to the department November 6th. Based on statute, the student data from the count period was the starting point for all calculations that lead to the determination of state aid to school districts.

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Ms. Teshner moved to slide 6 to look at the FY 21 statewide school enrollment counts. She pointed to the top of the slide which showed the statewide FY 21 Oasis update student count data compared to the FY 21 projected student count data and the FY 20 actual student count data. Also, she provided the FY 22 projected data comparing it to the FY 21 Oasis number. For reference, the FY 21 projected data was provided to the department in November 2019 in accordance with statute. The counts were used to determine and prepare the FY 21 governor's budget. Projected data was used for budgetary purposes only at the statewide level, and there was no provision in statute to pay state aid based on projected student counts. She continued that the FY 21 Oasis data was a result of the department's reconciliation and review of the count data provided by districts during the 20-day count period in October.

Ms. Teshner continued that annually the department reviewed the data submitted initially to remove all duplicates ensuring no student received more than one ADM count and special education intensive student reviews. She noted that the department was wrapping up the special education intensive counts presently. Any resulting changes were not reflected in the numbers being presented in the current meeting. She indicated that in the FY 22 projected data, the projections provided by districts in November 2020 were used in order to prepare the FY 22 governor's budget.

Ms. Teshner drew attention to the table at the top of slide 6. The FY 21 Oasis regular ADM brick and mortar student number decreased 15,352.91, a decrease of 13.4 percent compared to the projected data for FY 21. In

addition, the FY 21 Oasis correspondence daily membership increased 13,445.8, an increase of 94.9 percent over the projected data. The overall ADM decreased 1,907.11, a decrease of 1.5 percent. Finally, the ADM increased 5,698.09, an increase of 2.2 percent compared to the FY 21 projected count. She indicated slide 8 of the presentation provided a glance at the factors used to determine the ADM. She would address them in a couple of slides.

Representative Carpenter asked if Ms. Teshner could provide a historical look at the ADM over the previous 10 years. Ms. Teshner responded that she could provide the information to the committee. She indicated that the information could also be found on the department's website and extended further back than 10 years.

Ms. Teshner commented that the main factors contributing to the increase in the ADM was the adjusted-for-school-size ADM, the hold harmless provision, and a shift in correspondence.

Representative Wool referenced the 1,907.11 decrease in the ADM. He wondered if any research had been done on the decrease in pupil counts. Ms. Teshner replied that the department received a request to specifically reach out to the districts to find out where students had gone. The trend was that students had either left the state or moved to a private education program or facility. She could provide the data once the department received it.

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Ms. Teshner continued to slide 7 regarding the hold harmless provision available to school districts. The provision was enacted in 2008 under HB 273 [Legislation passed in 2008 regarding education funding] for school districts who had experienced a reduction in their brick-and-mortar schools' ADM after they had been adjusted for the school size in the foundation formula.

Ms. Teshner reported that eligibility was determined after the districts' adjusted-for-school-size ADMs were calculated and totaled for all schools resulting in a statewide district total. The sum total of a district's adjusted-for-school-size ADM was compared to the prior fiscal year's total to determine if there was a decrease of 5 percent or more. If the answer was yes, the prior year

was locked in as the base year for the following 3 years, and the new school size adjustment with the hold harmless provision continued through the formula adjustments, which she would address briefly on the following slide. It resulted in approximately 75 percent of the base need being restored in the first year. The hold harmless provision was available to districts over a 3-year step-down: 75 percent the first year; 50 percent the second year; and 25 percent the third and final year, as long as the adjusted-for-school-size ADM stayed below the established base year. The 3-year step-down allowed time for districts' budgets to adjust to the decreased funding that came with the reduction of their brick-and-mortar schools' ADM.

Representative Josephson suggested that if there was a 5.1 percent drop in enrollment, the step-down should be 94.9 percent. He wondered why a drop in enrollment resulted in a greater reduction than the calculation for the ADM. Ms. Teshner responded that the statute indicated a 5 percent trigger with a 3-year step-down of 75/50/25 percent. She did not have the history as to why the specific trigger and step-downs were chosen.

Representative Carpenter had a question about the 5 percent total loss in enrollment. He asked if the percentage was factored on total or regular ADM. He asked for clarification. Ms. Teshner replied that the department used the school size ADM. Once the ADM was determined, the department ran it through the school size factor table. The resulting number was compared to the number in the prior year to see if there was a reduction in enrollment of 5 percent or more.

Representative Carpenter wanted to see the relationship between a school size determination that triggered the hold harmless provision with an increase in correspondence not factored into the provision. Ms. Teshner replied that because correspondence students were not run through the school size factor table, a reduction of brick-and-mortar moved them out of the calculation which then triggered the hold harmless provision. She could provide detail by district that showed the school size change.

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Representative Wool understood the 5 percent enrollment loss. He asked for further clarification regarding

75 percent. Ms. Teshner indicated it was 75 percent of the basic need. She elaborated that the formula was applied to all of the factors and multiplied by the base student allocation (BSA) to reach the basic need amount. The basic need amount equaled the cost to run a school district based on the formula. She continued to explain that school districts with a 5 percent or more reduction in their school size ADM would receive 75 percent of the amount in the first year. A reduction of 5 percent pertained to the school size ADM rather than enrollment. A school district's basic need was determined after enrollment counts were submitted and ran through the school size factor table. The number was then compared to the prior year. It was 75 percent of the amount of basic need.

Representative Wool clarified that it was not 75 percent of funding. He also remarked that the 5 percent was not based on total enrollment. A table was applied. The calculation was multi-fold. Ms. Teshner referred to Handout One which walked through the formula. It provided greater detail about the numbers.

Vice-Chair Ortiz returned to the hold harmless provision. He suggested the impact would be significantly different depending on the school and district. For instance, some school districts participated in revenue-generating correspondence programs while others did not. School districts received 90 percent of the ADM for students participating in a district-sponsored correspondence program. Districts without a correspondence program lost out. He asked if he was correct.

Ms. Teshner responded in the affirmative. For example, the Mat-Su School District had a correspondence program. Although the district lost students in the brick-and-mortar school format, most went to the in-district correspondence program. The Mat-Su School District triggered the hold harmless provision but gained the students in correspondence and would see an increase in their foundation funding for FY 21. Other districts who did not have a correspondence program lost students in their brick-and-mortar schools to another statewide correspondence program triggering the hold harmless provision. The districts were losing out because of not having an in-district correspondence program to attract students.

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Vice-Chair Ortiz suggested that a district who was hurt financially because of a large drop in enrollment in their brick-and-mortar schools would be forced to make significant adjustments only being funded at 75 percent. He thought the circumstance would be a Catch-22 because once COVID-19 was over students would return to brick-and-mortar education. However, the programs would not be available because of school districts having to make reductions. He asked if he was accurate about the potential outcomes for some districts.

Ms. Teshner responded, "Yes." She reported there were multiple factors at play. A district losing funding, such as the Wrangell School District who lost several students, triggered the hold harmless provision. They did not have a correspondence program and would have to make adjustments based on what they thought would happen in the current and following years. Between the availability of carrying over an additional fund balance at the end of FY 20 to help offset things, the Covid relief funding would be available. Lacey Sanders would be addressing the Covid relief funding later in the presentation. If the majority of students returned to the brick-and-mortar setting, the districts would see an increase in the FY 22 foundation formula amounts.

Representative Rasmussen asked how many districts did not have a correspondence option. Ms. Teshner thought about 23 districts had correspondence programs, whether they were state-wide or district-wide programs. Some districts had multiple programs. She offered to provide a list to the committee. Representative Rasmussen responded, "That'd be great. Thank you."

Representative Edgmon thought the issue of enrollment could be a key focus in the current legislative session. He believed when the related statute was implemented, the hold harmless provision was directed more towards schools that had a student population on a downward trajectory. He thought it might apply to a coastal fisheries community where the fisheries were declining or to a community gradually losing population. In the current situation with the impacts of Covid-19, Alaska enrollment went from 114,000 students state-wide to 108,000 students or a 2.2 percent drop. Some of the school districts would

recapture their students once Covid became less of an issue and things returned to normal. He did not have the full picture he needed for context. He also brought up federal dollars and hoped further presentations would be scheduled to better understand the whole picture.

Co-Chair Foster remarked that he would be requesting additional presentations.

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Representative Wool talked about students from the district in Fairbanks that were leaving to attend correspondence schools in other places. He asked about increased enrollment in other correspondence districts.

Ms. Teshner referred to Handout 4 which showed various funding levels. She pointed to the Galena School District and the Yukon Koyukuk School District who saw large influxes in their correspondence programs and would see a large increase in their FY 21 changes. She highlighted the first column. Galena would see an increase of \$23 million, and the Yukon-Koyukuk School District would see an increase of \$12.8 million. The handout showed the increases and decreases by district and the overall funding. There were decreases to the pupil transportation programs and the residential schools for districts who had them. The handout also showed the Covid relief funding and the districts' unreserved fund balances. The net total could be seen in the last column including districts who still might be in the red. The department was committed to working with the districts who were projected to be in the red to ensure they were meeting their funding needs. She also clarified that there were actually 35 correspondence schools within the state. She reiterated she would provide the list to the committee.

Representative Rasmussen asked what the Yukon-Koyukuk and Galena School Districts were doing differently that were bringing other students to their correspondence programs. She suggested that the goal for legislators should be that the state provided the best level of education possible. She wondered if the statutes should be looked at in terms of educational offerings.

Ms. Teshner did not know specifically what the two school districts were doing differently. She could get back to the

committee. It was the choice of the parents where to enroll their children. As for what they were providing, they both had a state-wide program that was well established.

Representative Rasmussen asked if Ms. Teshner was aware of the level of broadband service needed for those districts with correspondence programs. Ms. Teshner thought her question would be better directed to the school districts. She could try to follow up with additional information.

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Representative Josephson suggested that if the numbers were based on the prior year's actual numbers, could the Galena School District and the Yukon Koyukuk School District programs end up with resources that surged back the following fall after Covid to brick-and-mortar facilities.

Ms. Teshner replied that the department had to follow statute. The department would pay on the fiscal year. If everyone were to return to the brick-and-mortar schools in their districts, then Galena and Yukon Koyukuk would see a potential large decrease just as they were currently seeing a large increase in FY 22.

Representative Josephson asked whether there was an adjustment that could be made mid-year. Ms. Teshner responded that the department only had one count period per year and would not make any adjustments to the count. She elaborated that for the first 9 months of the school year the department paid on the prior fiscal year foundation numbers. In the last 3 months of the fiscal year the department trued up the amount and paid it on the current year. The districts ended up receiving what they should have received all year long. She indicated that because students were enrolled in their district, they were due the funds based on the formula.

Representative Carpenter suggested that two school districts were being discussed that experienced a negative impact from not having a correspondence program. He assumed the figures included Covid federal relief funding. He saw two schools that were in the red.

Ms. Teshner concurred there were two school districts in the red. She highlighted that the Kuspuks School District was blank in the column for the unreserved fund balance

because she had not received their final FY 20 audit yet. They could potentially be in the black once the department received all of the necessary information.

Ms. Teshner detailed the public school funding formula relating to the district ADN (Average Daily Number) on slide 8. She would be providing a high-level overview of the formula steps. After the count period was reported, the ADM for each school was then calculated by applying the school size factor to the count according to the table in AS 14.17.410. The product of that calculation was then used as a factor in the next step of the formula. Ms. Teshner walked through the steps of the formula for the district adjusted ADM. All of the steps shown on the slide were in statute. She indicated the slide reflected the first part of the formula.

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Ms. Teshner advanced to slide 9: "Public School Funding Formula: State Aid." The department multiplied the District ADM by the BSA of \$5930 totaling the basic need. The number reflected what it would cost to run a particular district based on student enrollment. Then she would remove the required local contribution amounts for any of the city borough school districts. Next, she would remove any deductible impact aid leaving the state aid amount. The department would then add in the quality schools' grant. The final number reflected the total state aid the department provided to districts otherwise referred to as the total state entitlement.

Representative LeBon noted there was a range to the local required contribution. School districts could be near the bottom of the range or the top. He asked if there was an impact to state support if a community decided to contribute near the bottom of the range.

Ms. Teshner replied that if a municipality was at the lower end of the required local contribution, it would affect the bottom line in state aid. The department would remove anything excess up to the maximum local contribution. If a community paid the maximum local contribution, it would reduce how much was paid in state aid.

Representative LeBon asked if there was incentive for a community to pay the minimum level of local contribution

rather than the maximum. Ms. Teshner replied that based on the end total, they would potentially see more state aid if they paid at the minimum required contribution level versus the maximum.

Representative Carpenter asked if the required local contribution was impacted because of the Covid crisis causing a fluctuation in student count. Ms. Teshner referred to page 6 of Handout One. She indicated that the handout showed the required local contribution and how it was determined in addition to the calculation for the maximum local contribution. The actual required local contribution was not affected by enrollment. Rather, it was based on the full and true value of the taxable property. The amount was not to exceed 45 percent of the prior year's basic need. It was not affected by the current year enrollment changes.

Ms. Teshner continued to the bar graph on slide 10: "Base Student Allocation (BSA) Funding." The pencil chart showed changes in the BSA from FY 99 through FY 21. It also indicated when there were appropriations of one-time funding outside of the foundation formula. She reported that the BSA for FY 22 would remain at the \$5930 level but was not reflected on the slide.

Ms. Teshner reviewed the FY 21 statewide enrollment comparison on slide 11. She had covered the top portion of the slide when she addressed slide 6. Therefore, she would not go through the information again. She pointed to the FY 21 Oasis update compared to the FY 21 projected which showed a net increase of approximately \$25 million or an increase of 2 percent. She noted that it was a \$25 million increase in the current fiscal year's budget. In addition, the FY 21 Oasis update versus the FY 21 actual showed a net increase of \$38.1 million or an increase of 3.1 percent. Looking at the FY 22 projected versus the FY 21 Oasis, there was a decrease of \$45 million or a decrease of 6.1 percent. In the Oasis numbers for FY 21 there were 32 districts who had triggered the hold harmless provision compared to the base in FY 20.

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Ms. Teshner scrolled to slide 12: "Foundations Payments Process." She explained that outlined in AS 14.17.610(a) payments were processed on a monthly basis in time to

arrive in districts' bank accounts by the fifteenth of each month. Payments for the first 9 months of the year were calculated based on the prior final fiscal year's foundation. For FY 21, the first 9 months (July-March) were paid on the final FY 20 foundation numbers. The remaining 3 months (April, May, and June) were recalculated and trued up based on the finalized current year foundation counts. For FY 21, the 3 previous months would be based on the finalized FY 21 foundation counts. It ensured that by the end of the year districts would be paid what was due based on their current year reconciled final ADM counts.

Representative Wool clarified that the payments for the last 3 months of the current school year would be based on enrollment in September. He thought the last 3 months would show a decrease in funding to most of the school districts assuming most of them fell into the hold harmless category.

Ms. Teshner could not say for certain that there would be a decrease to most school districts. However, she confirmed that anyone in the hold harmless category who was not going to see an increase would see less funding coming in for the last 3 months. She thought one district would be in the red and their March payment would need to be adjusted in order to ensure they had some kind of payment in April, May, and June. The department would not cut the districts off because of their changes in enrollment.

Representative Wool asked if 32 of 35 school districts fell into the hold harmless category. Ms. Teshner replied that there were 54 school districts.

Representative Wool thought Ms. Teshner had stated that if a school district was in the hold harmless category, they would see a reduction unless they received an increase. He asked if the increase would be in the form of federal Covid money. Ms. Teshner referred to Handout Four. An increase would be the result of a combination of reductions in state aid for foundation funding or any kind of state funded programs, and additional monies including Covid relief funding and any unreserved fund balances.

Representative Wool suggested that although school districts in the hold harmless category had less money coming in, they would be able to pay their bills because of federal Covid funding and reserves. However, they would still see a reduction, as the reserves were monies they

already had. He asked if he was accurate. Ms. Teshner responded that he was correct. She added that assuming the unreserved fund balances were not already committed by the school districts, some of it would be used to offset the reduction. The department would work with school districts to ensure that they remained even.

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Representative Carpenter asked if only 2 school districts who would not have adequate funding. Ms. Teshner indicated that on Handout Four there were 2 school districts noted in the red. The Kuspuks School District had uncertainty. Just looking at the change in foundation numbers compared to the Covid relief funding numbers, there were 7 school districts the department identified that were seeing negative numbers. In other words, if the unreserved fund balances were not included, there would be 7 school districts in the red.

Representative Carpenter wanted to know which school districts would have a financial problem in the current year. He referenced Handout Four which showed only 2 school districts who would have a difficult time financially through the pandemic period. He was focused on foundation payments for April, May, and June. He relayed that there were other amounts of money coming into the state that should impact legislators' decisions about what they did with foundation payments. He was trying to get a full picture. He reiterated that in Handout Four, all but 2 school districts would be in the black in the current year.

Ms. Teshner responded, "That is accurate." There was also the potential for Alaska to receive another federal relief package projected to be a significantly large dollar amount. She hoped the additional funding would help the 2 school districts in the red denoted in Handout Four.

Representative Wool had heard from school districts in the Fairbanks area that the deficit they had, based on enrollment, was not -\$9.9 million, it was closer to -\$27 million. The school districts were considering approximately 240 layoffs. In the net total column in Handout Four, the Fairbanks School District was in the black. However, the school district indicated they were not in the black and were considering having to make some dire decisions. He wanted to look at the numbers more closely.

Ms. Teshner discussed advances related to foundation payments on slide 13. The department also had an advance provision that would allow districts, if they experienced a large increase in student enrollment and were concerned about falling short of funds. The provision would allow school districts to request an advance on their anticipated finalized state aid funding. Slide 13 showed the process districts had to follow in order to request an advance and the minimum amount of information required by the department.

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Ms. Teshner reviewed the federal impact aid disparity test on slide 14. The federal government allowed the State of Alaska to deduct 90 percent of its allowable impact aid from the amount the foundation formula allocated to school districts. Per AS 14.17.410, the basic need minus the required local contribution, minus the 90 percent of eligible impact aid equaled Alaska's state aid. It reduced the state's cost by an average of about \$85 million per year. However, the state was only allowed to deduct the federal impact aid if there was an equalized formula in accordance with federal law. Every year the State of Alaska had to ask permission from the federal government in order to take impact aid payments into account in determining state aid to districts. It was an annual certification which had to happen no later than 120 days after the end of the fiscal year. Each year the department performed the disparity test which compared the state's high-per-revenue to low-per-revenue districts to each other. If the funding differential was not more than a 25 percent disparity between districts' revenue per adjusted ADM, the funding formula would be considered equal and the state was allowed to deduct the approximate \$85 million. It was also the reason for the 23 percent cap on the maximum local contribution. It was intended to ensure that disparity did not exceed 25 percent.

Representative LeBon clarified that local contributions were capped because of the disparity test. Ms. Teshner responded in the affirmative.

Vice-Chair Ortiz asked if the state had ever failed the disparity test and whether it would pass the test in FY 22. Ms. Teshner indicated there was one year in the 80s in

which the state failed the test. Otherwise, the state had passed. The department just submitted the FY 19 disparity test, as the state always submitted it a year behind. The state passed the test with a disparity of 24.3 percent.

Ms. Teshner added that if the state failed the disparity test, the formula would not be considered equalized, and the state would owe school districts approximately \$85 million. Alaska could not deduct the federal impact aid until the state's education funding system was recertified by the federal government. The department performed the disparity test after the fiscal year was over. It meant that the state would owe \$85 million over multiple years. If the state were to fail for FY 21, the results would be determined in FY 22, and the state could not recertify again until at least FY 24. In that case, failing the disparity test could cost the state a minimum of \$255 million.

Representative LeBon returned to the topic of local contributions. He asked if his school district in Fairbanks was at the bottom portion of the range, it would be helping to meet the disparity test. He wondered if he was accurate. Ms. Teshner replied positively. She indicated it was preferred that the large districts fell at the middle of the disparity test to help with not exceeding the 25 percent. Representative LeBon knew that. Ms. Teshner noted that the department had copies of all of the disparity tests dating back to FY 09 on its foundation formula website.

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Ms. Teshner advanced to slide 15 which highlighted the other state-funded programs that used the 2020-2021 school year enrollment counts in determining their FY 21 final grant amounts. It included the Pupil Transportation Program and the residential schools. She indicated that the Pupil Transportation Program was determined based on a statutory formula in AS 14.09.010. The calculation involved taking a district's ADM less their correspondence ADM multiplied by a per student amount set in statute. The FY 21 appropriation was approximately \$77 million, and the estimated FY 21 actual grants totaled approximately \$65 million - a decrease of almost \$12 million or a decrease of 15 percent. The state also had the residential schools program. The funding was also determined based on a

statutory formula in AS 14.16.200. The funding outlined on slide 15, had two parts. There was a residential stipend, a per-pupil monthly stipend rate multiplied by the 9 months multiplied by the actual student count. Residential schools also received a one round trip transportation reimbursement per student which had to be at the least expensive means between the student's community of residence and the school. The FY 21 appropriation was \$8.3 million for the residential schools. The estimated FY 21 actual grants totaled \$2.4 million. There was a \$5.9 million decrease or a decrease of 71 percent in grants to residential schools. In a normal year, the state had 9 school districts operating and 10 approved programs across the state. For FY 21 only 4 residential schools (Galena, Lower Yukon, Nenana, and Northwest Arctic) were operating but at reduced capacity.

Representative Carpenter asked if the decrease was due to Covid-19. Ms. Teshner responded that all was related to Covid-19, whether they were open or operating at reduced capacity. She commented that starting on slide 24 she would provide 7 district snapshots reflecting enrollment changes, Covid relief funding, and fund balance information. She passed the presentation over to Lacy Sanders.

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LACEY SANDERS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), would provide the committee with an update on the Covid-19 K-12 federal relief packages that had been allocated to the state Department of Education and Early Development (DEED). She would be sure to pause at the end of each slide to address any questions or comments. Towards the end of the presentation, she would walk through several handouts that were in members' packets.

Ms. Sanders began her presentation on slide 17. She explained that the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020, and appropriated \$30.75 billion into the Education Stabilization Fund. At a national level, funding was allocated in the following manner. Approximately \$3 billion was appropriated into the Governor's Emergency Education Relief Fund (GEER I Fund). Approximately \$13.5 billion was appropriated into the Elementary and Secondary School

Emergency Relief Fund (ESSER I Fund). Approximately \$14.25 billion was appropriated for the Higher Education Emergency Relief Fund. In her presentation for the day, she would be speaking about ESSER and GEER Funds. The University of Alaska was the appropriate agency to speak to the Higher Education Emergency Relief Funds.

Vice-Chair Ortiz asked about the Higher Education Investment Fund. He assumed it did not relate to what was currently being discussed. Ms. Sanders responded that if Representative Ortiz was referring to the Alaska Higher Education Investment Fund, it was a fund that the state used as an endowment to support the Alaska Performance Scholarship Fund. She wondered if that was what he was referring to. Representative Ortiz responded in the affirmative.

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Ms. Sanders continued with the CARES Act update on slide 18. The slide represented the State of Alaska's allocation of CARES Act ESSER I and GEER 1 funds. First, the total allocation of ESSER I funds was \$38.4 million. Local education agencies (school districts) were awarded \$34.6 million or 90 percent of the funds. The funds were allocated to school districts based on federal guidance which required 90 percent of the state's allocation be distributed to those school districts based on the proportion of Title 1, Part A funds that they received in the most recent fiscal year. Funding was available to the school districts to obligate until September 30, 2022. As of January 29, 2021, school districts had requested reimbursements totaling \$11.3 million.

Ms. Sanders continued that school districts provided an application and a budget each fiscal year for the funding available to them. She reported that FY 20 was the first year that funding was available for expenditure. The department was currently working through the FY 21 applications and requests had been submitted by school districts. The process would continue into FY 22 and FY 23. She reported that the State Education Agency, DEED, received \$3.8 million to award grants or contracts to address emergency needs resulting from the Covid-19 pandemic. A small portion could be used for administrative costs and the funding was also available until September 20, 2022.

Ms. Sanders reported that the total allocation of GEER I Funds was \$6.5 million. The purpose of the funding was to provide emergency assistance as a result of the Covid-19 pandemic in support of education and education-related entities. The funding was available for the governor to allocate at his discretion, and funding was allocated in the following manner. She conveyed that \$3.7 million was given to school districts, \$1.7 million was given to institutes of higher education, and \$1 million was distributed as a competitive grant award to various education and education-related entities. One of the handouts which she would walk through later, DEED Handout 8, identified the education-related entities that received the funding and the amount of the awards.

Representative LeBon asked if she could provide information on the formula for disbursement and why some school districts received funding while others did not. Ms. Sanders explained that when allocating the original ESSER 1 funding it was determined that there would be school districts who would not receive funding because it was based on a Title 1(a) allocation. A comparison was done that allocated funding to the 35 school districts to bring them to an amount that was equal to or more than what they would have received under a \$30 million award based on the foundation formula allocation.

Representative Carpenter asked about DEED's allotment of \$3.8 million. He wondered if she could provide a list of how the funding was used. Ms. Sanders could provide a list to the committee. She indicated that approximately \$2.8 million had been allocated or awarded which left a balance of just over \$800,000.

[2:40:01 PM](#)

Representative Josephson referenced the GEER I Fund. Ms. Sanders had mentioned applying it against a \$30 million factor. He asked her to repeat the information. Ms. Sanders clarified that previously there was an appropriation for \$30 million that would have been allocated to school districts. The department compared what school districts would have received at the time to ensure that what they received through ESSER and GEER funding was equal to or greater than that amount.

Representative Josephson asked, relative to the veto of the \$30 million on April 7th, if there was a way to know whether ESSER I and GEER I funds were a response to normal needs or supplemental needs relating to the pandemic. Ms. Sanders replied that the CARES Act funding was provided with federal guidance to address the impact of the Covid-19 pandemic. The school districts were asked to provide a budget and a narrative outlining how they intended to use that money. The school district would have 3 years to spend the money. Some had already spent it to address their needs and some had not. She wondered if she had answered the representative's question.

Representative Josephson responded, "Sort of." He used the Gateway School District and the Kuspuk School District as examples. He suggested that if they spent money on masks and plexiglass, it would not be the normal need that was vetoed. However, it would be important to know whether they spent the money on things that would have otherwise been funded except for the veto. He felt it was fundamental to have the answer to his question as an appropriator. He invited Ms. Sanders to comment.

Ms. Sanders thought each school district would be unique in their needs. She suggested inquiring with the school districts directly.

Ms. Sanders additionally commented on slide 18. She noted that authority for ESSR I and GEER I was approved through a revised program legislative (RPL) that was presented to the Legislative Budget and Audit Committee on May 1, 2020.

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Ms. Sanders moved to slide 19 to discuss the second relief package from the federal government - the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. The act was signed into law on December 27, 2020, and appropriated approximately \$82 billion into the Education Stabilization Fund. Approximately \$4.1 billion went into the Governor's Emergency Education Relief Fund (GEER II Fund). Approximately \$54.3 billion went into the Elementary and Secondary School Emergency Relief Fund (ESSER II Fund). Lastly, approximately \$21.7 billion went into the Higher Education Emergency Relief Fund. She noted that the funding in the second round was referred to as ESSER II and GEER II because the funds were accounted for separately from CARES

Act funds. The second round of funds had slightly expanded allowable uses and a different period of availability. She indicated the slide reflected the funding at a national level.

Ms. Sanders turned to slide 20 to walk through the State of Alaska's allocation. She began with the state's ESSER II funds. The total allocation was \$159.7 million. The local education agencies, the school districts, were awarded \$143.7 million. The funds were allocated the same as the CARES Act funding based on federal guidance requiring 90 percent of the state's allocation to be distributed to school districts based on the proportion of Title 1, Part A funds they received in the most recent fiscal year. Funding was available for school districts to obligate until September 30, 2023, and could be used for expenditures dating back to March 2020. She reported that the application for this funding was available on DEED's website presently, and school districts had begun submitting applications recently.

Ms. Sanders continued that the State Education Agency, DEED, received \$15.2 million to award grants or contracts to address emergency needs resulting from the Covid-19 pandemic. A small portion of the funding could be used for administrative costs and was also available until September 30, 2023. Nothing had been allocated or awarded to-date. She noted that ESSER II funds had an expanded allowability of activities compared to CARES Act funds. It included allowing the funds to be used to address learning loss, summer programming, and for school facility repairs that reduced the risk of virus transmission and improved air quality. The Department of Education and Early Learning had received questions in the past about water system upgrades and investments in internet and broadband infrastructure. Federal guidance provided allowances for those uses. She noted that school districts determined how their funding would be used. The department reviewed the school districts' proposed plans and requests for reimbursements to ensure that the spending followed federal guidance. Ultimately, school districts were responsible for demonstrating that their plans for expenditures met the federal allowable rules. The department assisted in determining if a use was allowable and frequently addressed questions from school districts on whether certain purchases could and should be made.

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Representative Josephson thought the funds might be a source for districts to supplement their budgets. He referred to one of the parameters, addressing learning loss, was fairly broad.

Ms. Sanders confirmed that school districts had the ability to determine how they would utilize the funding. Each school district would use it differently. For example, a district might have seen savings in some areas of their normal budgets, and other areas might have seen increases due to the pandemic.

Representative Carpenter noted Ms. Sanders had mentioned that no money had been allocated or awarded. He wondered if her statement was in reference to the state education agency dollar figures. Ms. Sanders replied that her comment at the time was specific to the \$15 million for the state education agency. Although the last time she checked, no funding of the \$143 million had been awarded because the application process for school districts just recently opened around February 15th.

Ms. Sanders continued to provide a detailed update on slide 21. She reported that the State of Alaska's allocation of GEER II funds was approximately \$8.2 million and was broken into two parts. The first part was the governor's supplemental allocation and totaled about \$2.8 million similar to the funding that was received under the CARES Act appropriation. The governor could determine and allocate the funding. The uses were similar and included preventing, preparing for, and responding to the Covid-19 pandemic. Presently, the governor had not determined how the funding would be allocated and had until January 2022 to award the funds.

Ms. Sanders continued that there was a new provision in the CRRSA Act titled, Emergency Assistance for Non-Public Schools (EANS). The total allocation for the State of Alaska was \$5.4 million. The funding would be awarded to non-public schools in partnership with DEED. The application for the funding was made available on February 12, 2021, and non-public schools had a 30-day period to submit their application for the funding. She elaborated that because non-public schools were not required to register with DEED, it made it difficult to

provide a comprehensive list of eligible schools. The Department of Education and Early Childhood Development conducted an extensive search including contacting local school districts, searching websites, and through state databases. Included in members' packets was a list of schools that had been identified as non-public schools in Alaska. However, once the application period was completed, the department might identify additional eligible schools. She noted that both ESSR II and GEER II funding were approved again through the RPL process. The department resented an RPL to the Legislative Budget and Audit Committee on January 18, 2021.

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Vice-Chair Ortiz asked what document Ms. Sanders referred to that indicated how many non-public schools were in the state. Ms. Sanders replied that the information could be found in Handout 9. Vice-Chair Ortiz asked how many of the schools had applied so far. Ms. Sanders believed 2 schools had submitted applications. Her staff was working closely with the non-public schools to complete the application process. She thought many of the applications would be submitted towards the end of the period.

Representative Rasmussen asked for the date of the end of the period. Ms. Sanders thought the date was March 12, 2021. It was a 30-day period that opened on February 12, 2021.

Representative Rasmussen asked Ms. Sanders to explain the criteria or how the department planned to award the funding, given that the department did not know how many schools might apply. Ms. Sanders reported that no determination had been made to-date on how to allocate the funding. The department was waiting to receive the applications to see what types of requests were being made and at what levels. She noted that it was similar to school districts in that it was a reimbursement process.

Representative Rasmussen asked if there was a maximum amount of money school districts could receive. Ms. Sanders clarified that Representative Rasmussen was asking if there was a limit. Representative Rasmussen responded in the affirmative. Ms. Sanders replied that there was not a limit. It was up to DEED working with the governor's office

to determine how and at what level the funding would be allocated.

Representative LeBon assumed the department was reaching out to the non-public schools to inform them of the available funding. Ms. Sanders responded affirmatively that the department had contacted each one of the schools. In addition, the department held an online seminar to address questions and walk through the application period shortly following the time the application was made available. She reiterated that her staff had reached out to the no-public schools to ensure they had the information they needed to complete an application.

Representative Edgmon asked if a determination had been made by the administration that there was no reason to freeze the 2020 enrollment numbers for school districts since there had been three disbursements of funding from the federal government. Ms. Sanders deferred to the commissioner.

Representative Rasmussen asked if Pre-K was included in the non-public schools. Ms. Sanders replied that it was only K-12 as outlined in federal guidance.

Representative Rasmussen asked Ms. Sanders if she knew whether there were programs available for the pre-K providers to offset costs related to the pandemic. Ms. Sanders answered that the Department of Health and Social Services (DHSS) had the daycare assistance programs and would be able to provide her with a summary they had provided through grants to them.

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Representative Rasmussen asked if the day-care assistance program was different from funding for pre-K. He family did not qualify for assistance, but she had her son in a private preschool program. She was thinking of private preschools that had been impacted. She thought they would fall under early learning and development. Ms. Sanders relayed that it was beyond the scope of the programs being discussed in the current meeting. The representative was correct that there were pre-K grant programs within the department. However, the daycare assistance programs fell under DHSS.

Representative Carpenter referred to the emergency assistance for non-public schools. He wondered if there were federal requirements that the non-public schools would have to meet to be eligible for funding. He wondered if there were any exclusion for religious schools. He recognized some religious schools on the list of non-public schools. He assumed there were no exclusions on the list.

Ms. Sanders responded that there was no limit. Non-public schools might include a religious entity. However, there were rules on how the funding could be spent. The department would not be providing the non-public schools a check for spending. Rather, the non-public schools were submitting applications with a plan on how the funding would reduce the impacts of the pandemic. Items such as air purifiers, HVAC modifications, tablets for distance learning were examples of where the funding could be spent.

[3:03:11 PM](#)

Ms. Sanders advanced to the pie charts on slide 22 showing the total education stabilization funds. The slide was a visual representation of the ESSER and GEER funding allocated to the State of Alaska.

Ms. Sanders wanted to walk through the eight handouts that were in members' packets, as they contained a significant amount of information. The information might be helpful in looking at specific school districts. She began with Handout 3 which was a summary of the education stabilization funds that had been allocated to each of the school districts. It showed what each district received whether from the CARES Act or the CRRSA Act and whether from ESSER or GEER funds.

Ms. Sanders moved to Handout 4 showed the state funded programs. It was the item that Ms. Teshner spoke to earlier. It provided a summary of the formula changes based on the enrollment changes districts were seeing. It also showed allocations of the CARES Act and the CRRSA Act as well as their FY 20 end reserve balances.

Ms. Sanders continued to Handout 5 which provided the distribution of CARES Act monies to school districts. The funding had been awarded and expended - reimbursed to school districts as of January 28, 2021. It broke down the

ESSER I Funds and the GEER I Funds that school districts received, what they spent, and their remaining balances.

Ms. Sanders explained that Handout 6 and Handout 7 showed further details of how school districts were spending their money. It provided a summary of expenditures by chart of accounts. Handout 6 was specific to FY 20, and Handout 7 was specific to FY 21. She continued that Handout 8 was the grant award list for the \$1 million awarded in GEER I funding. Handout 9 was the list of non-public schools she mentioned earlier. Handout 10 was a summary of terminology and definitions for Covid-19 relief funding. The department had received several questions about the definition of supplement, not supplant, as well as the maintenance of effort requirements under the CARES Act and the CRRSA Act. The document outlined the federal guidance along with the impact for DEED.

Ms. Sanders reviewed additional CARES Act allocations on slide 23. She wanted to note other allocations of funding the department received. The Child Nutrition Program was awarded \$42.2 million for several food service programs. A total of \$28.3 million had been expended. The funding had a limited period of availability. It was only able to address expenses from March 202 through September 2020. The Libraries, Archives, and Museums received \$66,100 award from the Institute of Museum and Library Services to award grants to museums and libraries in Alaska. She reported that \$63,300 had already been awarded. Lastly, the Alaska State Council on the Arts was awarded \$421,500 for grants to Alaskan artists of which \$385,500 had already been awarded. She concluded her prepared remarks and was available for questions.

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Representative Carpenter referred to Handout 5. He asked why funds had not already been spent. Ms. Sanders indicated there could be variety of reasons the monies had not be spent. For example, some monies would be used for summer school programs. It was different for each recipient. She noted that the period of availability on the specific funding was over several years.

Representative Josephson relayed that the Fairbanks Daily News Minor was reporting that the Fairbanks School District was projected to lose 243 jobs with a shortfall of \$27

million. The district was looking at the demise of music and outdoor recess for elementary schools. Layoff notices would go out in May unless the legislature intervened. He referred to slide 27. He asked how the Fairbanks Daily News Miner could report such a dire circumstance when significant relief was available. Ms. Sanders commented that it was the first time she had heard the number mentioned. She would need to review the article. Currently she did not have any insightful comments on the topic.

Representative Josephson if there was anything she could report to the committee that was going on behind the scenes. He thought that in the absence of COVID dollars, what were the districts experiencing. Ms. Sanders suggested that it would be helpful to speak with the districts. She could provide the numbers and what DEED was providing. However, she could not speak on behalf of the school districts.

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Ms. Teshner would be providing seven district snapshots that included the foundation funding totals, Covid relief funding, and the FY 20 unreserved fund balance data for Anchorage, Dillingham, Fairbanks, Kenai Peninsula, Ketchikan, Mat-Su, and the Nome school districts. She began with the Anchorage School District on slide 25. She reported that the top of the slide was the same layout as she shared on slide 11. There were two tables at the bottom of the slide. The left-hand portion of the slide showed the CARES Act allocations, expenditures, and percentage spent. It also showed the district's CRRSA allocations, expenditures, and percentage spent. The department was just receiving the CRRSA Act budgets from districts. In the seven districts she mentioned, there were no CRRSA expenditures to-date.

Ms. Teshner continued that on the lower right-hand side was the FY 20 operating fund balance breakout between the reserved and unreserved portions and the percentage of unreserved balance. Per AS 14.17.505 and related to the fund balance in a school district's operating budget, a district was not allowed to accumulate in a fiscal year an unreserved portion of its year-end fund balance in its operating fund (as defined in the department's regulations) that was greater than 10 percent of its expenditures for that fiscal year. All money in a year-end fund balance of a

district's school operating fund was subject to the 10 percent limit except if it was in one of six categories: encumbrances, inventory, prepaid expenditures (including fuel), self-insurance, any federal impact aid received, and any unexpended annual student allotment money for correspondence programs.

Ms. Teshner reported that Governor Dunleavy issued the order of suspension number 3 which suspended the statute in regulation and allowed school districts to retain more than 10 percent of their unreserved fund balance from FY 20 into FY 21 in response to Covid. At a quick glance, of the 52 audits the department had received to-date, 43 school districts reported they were carrying over more unreserved fund balance at the end of FY 20 versus what they carried at the end of FY 19. In addition, 26 of the districts were reporting an unreserved fund balance greater than 10 percent. The additional carryover was available to help districts address funding fluctuations due to enrollment and Covid response.

Ms. Teshner highlighted that the Anchorage School District was showing an increase of almost 150 percent in their correspondence ADM from the FY 21 projected to the FY 21 Oasis update. They saw movement of approximately 170 students from their brick-and-mortar programs to their district correspondence programs. Anchorage triggered the Hold Harmless provision in FY 21 and had a decrease of 11.19 percent in their school size ADM compared to FY 20. They were estimated to receive approximately \$5.8 million less than their FY 21 projected foundation amount and \$8.1 million less than their actual foundation amount. Anchorage had spent approximately 59 percent of their ESSER I allocation and they did not receive an allocation under GEER I. Anchorage School District anticipated receiving about \$50 million in ESSER II funds. At the end of FY 20 Anchorage reported a 10.34 percent unreserved fund balance in their operating fund.

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Ms. Teshner provided a snapshot of the Dillingham School District on slide 26. The district was seeing a decrease of 9.4 percent in their regular brick-and-mortar ADM and a decrease of 100 percent in their correspondence ADM. The district triggered the hold harmless provision, as they experienced a 5.21 percent decrease in their school size

ADM. They were expected to get about \$194,000 less than their FY projected foundation amount. The school district reported spending 100 percent of their ESSER I and GEER I allocations. They expected to receive \$430,000 in ESSER II Funds. At the end of FY 20 they reported a 10.79 percent unreserved fund balance in their district operating fund.

Ms. Teshner continued to slide 27: "District Snapshot: Fairbanks North Star School District. The district was showing a 20.6 percent in their regular brick-and-mortar ADM and a 248 percent increase in their correspondence ADM. They had a statewide correspondence program. The district triggered the hold harmless provision with a 16.59 percent decrease in their school size ADM. Based on the district's counts, they were estimated to receive about \$7.5 million less in their FY 21 projected foundation amount. Fairbanks School District had spent about 65 percent of their ESSER I allocation and about 41 percent of their GEER I allocation. The district was expected to receive about \$9.7 million in ESSER II funds. Fairbanks had a 4.71 percent unreserved fund balance at the end of FY 20.

Ms. Teshner reviewed the Kenai Peninsula School District on slide 28. The district reported a 22.6 percent decrease in their regular brick-and-mortar ADM and 115 percent increase in their correspondence ADM. Comparative to FY 21 projected, the school district triggered the hold harmless provision in FY 21 with an 18 percent decrease in their school size ADM. They were estimated to receive \$1.6 million less than their FY 21 projected foundation amount and \$2.6 million less than their FY 20 actual foundation amount. The Kenai Peninsula School District had spent approximately 30 percent of their ESSER I allocation and they did not receive a GEER I allocation. The district expected to receive approximately \$9 million in ESSER II funding. They had a 9.63 percent unreserved fund balance at the end of FY 20.

Ms. Teshner discussed a snapshot view of the Ketchikan Gateway Borough School District on slide 29. They showed a \$12.6 percent decrease in their brick-and-mortar ADM and a 237 percent increase in their correspondence ADM. The district triggered the hold harmless provision with a 10.04 decrease in their school size ADM. They were estimated to receive approximately \$1.2 million more than their FY 21 projected foundation amount. They had spent about 56 percent of their ESSER I allocation and approximately 75

percent of their GEER I allocation. They expected to receive nearly \$2 million in ESSER II funding. At the end of FY 20 the Ketchikan Gateway School District had a 3.91 percent unreserved fund balance.

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Ms. Teshner advanced to slide 30: "District Snapshot: Mat-Su Borough School District." The school district was showing a 14.5 percent decrease in their brick-and-mortar ADM and a 45 percent increase in their correspondence ADM. The district triggered the hold harmless provision with an 11.56 percent decrease in their school size ADM. They expected to receive about \$3.1 million more than their FY 21 projected foundation amount. The district had only spent about 4.9 percent of their ESSR I allocation and did not receive a GEER I allocation. They expect to receive about \$15.9 million in ESSR II funding.

Ms. Teshner reviewed the public school enrollment and the funding formula for Nome Public Schools on slide 31. They showed a 9.5 decrease in their brick-and-mortar ADM and about a 318 percent increase in their correspondence ADM. The district triggered the hold harmless provision with an 8.39 percent decrease in their school size ADM. They expected to receive about \$323,000 more than their FY 21 projected foundation amount. The district had spent about 13 percent of their ESSER I allocation and about 45 percent of their GEER I allocation. The district expected to receive about \$810,000 in ESSER II funding. At the end of FY 20 they reported a 13.29 percent unreserved fund balance in their operating fund. She concluded the presentation.

[3:23:19 PM](#)

Representative Josephson asked about additional funding from the federal government. He wondered if Ms. Teshner had any recommendations as to how to appropriate those dollars. He supposed Alaska's portion would be less than \$1 billion. He thought consideration of the timing of the release of those funds relative to the completion of the budget was in order. He asked Ms. Teshner to comment.

Ms. Teshner responded that if the State of Alaska were to receive the allocation before the end of the regular session, the administration would go through the regular process to request additional federal authority. If the

legislature was not in regular session, the administration would go through the Legislative Budget and Audit Committee and request the additional federal receipt authority through the Revised Programs Legislative (RPL) Review Process.

Representative Josephson asked if the administration would make a recommendation to the legislature. Ms. Teshner deferred to Ms. Sanders. Ms. Sanders responded that if the federal government passed an additional bill, DEED would allocate the funding in accordance with federal law. Similar to what the department did with the CARES Act funding and the CRRSA Act, it allocated the funding to the school districts based on what the federal guidance provided. Ms. Teshner was correct that the department would appear before the Legislative Budget and Audit Committee to request the additional federal receipt authority if a bill was passed and the legislature was not in session.

[3:27:14 PM](#)

Representative LeBon referred to slide 27 which showed the Fairbanks School District. He pointed to the required local effort in the middle of the slide. He clarified that it showed the baseline for the Fairbanks North Star Borough was required to provide in education funding. They might contribute more than the amount, but the amount was the minimum required contribution. He asked if he was accurate. Ms. Sanders confirmed that it was their required minimum local contribution.

Representative LeBon thought the amount was smaller than what was actually provided. The Fairbanks North Star Borough actually contributed about \$50 million. He suggested that if the minimum was 4 mils, the maximum must be about 8 mils. He asked if he was correct. Ms. Teshner replied that the maximum local contribution was calculated using their required local contribution plus 25 percent of the basic need. In other words, it was the greater of 25 percent of prior year basic need or the 2 mils equivalent of the full and true value of taxable property.

Representative LeBon noted that the disparity feature of school funding. he suggested that even if the Fairbanks community wanted to contribute the maximum amount, the disparity formula might push down the local contribution to avoid jeopardizing any federal funding. He thought the

disparity formula acted as a ceiling for local contributions. He asked if his statement was accurate. Ms. Teshner responded in the affirmative.

Representative Edgmon appreciated the presentation. He referred to Handout 10. It stated that given that there was no single supplement or supplant provision in both CARES Act and CRRSA Act funding, the state had to fund education at FY 17, FY 18, or FY 19 levels in order to meet the maintenance of effort requirements for the ESSER I, GEER I, ESSER II, and GEER II pots of money. The state would have to get a waiver from DEED or risk paying the money back. He asked if that was Ms. Teshner's interpretation.

Ms. Teshner explained that for the CARES Act funding, in FY 20 and FY 21 the state had to meet the average of what it spent in FY 17, FY 18, and FY 19. She reported that the department had already submitted its FY 20 maintenance of effort calculation to the U.S. Department of Education, and the State of Alaska had met the maintenance of effort for elementary, secondary, and higher education. The department was also projecting it would meet the maintenance of effort under the CARES Act for FY 21.

Ms. Teshner continued that under the CRRSA Act, the maintenance of effort was the proportional amount the state had spent on average from FY 17, FY 18, and FY 19. The amount that had been spent overall across the entire state's budget was what the state had to meet for the maintenance of effort calculation for FY 22.

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Representative Edgmon was still trying to get to the question of enrollment. It appeared there was a decrease in the governor's proposal for education funding of about \$24 million in FY 22 due to a lower enrollment number. He wondered how to know the amount the legislature should appropriate with all of the current factors at play. He wanted to see that the funding levels for schools remained healthy. He noted the state's current fiscal restraints. He indicated there were several handouts in members packets containing pertinent information. He asked if there was a way for the department to condense the information so that it was easier for people to understand, he would appreciate it.

Representative Edgmon continued that he thought there was significant funding already going to school districts with additional distributions anticipated in the near future. He returned to the supplement versus supplant provisions and potential unmet needs because the executive branch would be allocating much of the funding without the legislature being involved in the process. The legislature was being asked to appropriate its normal education funding, approximately 25 percent of the UGF amount appropriated every year. He hoped any future presentations would create more of a concrete picture.

Ms. Teshner commented that maintenance of effort was a very complicated issue. The administration was looking at the requirements of what it knew so far for FY 22 maintenance of effort under the CRRSA Act. The state was in compliance with the CARES Act. The state had not received any specific guidance from the federal government on the maintenance of effort for FY 22. She was aware that it would be based on what the state actually spent rather than what was in the budget. Therefore, if FY 22 actual numbers came in higher, it would be a different number. She was happy to keep the committee informed as the department received additional information.

Co-Chair Foster reviewed the agenda for the following meeting. The subcommittee for the University of Alaska would be meeting as a committee of the whole.

HB 69 was HEARD and HELD in committee for further consideration.

HB 71 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[3:37:53 PM](#)

The meeting was adjourned at 3:37 p.m.